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[474]

unlike the peasantry of Western Europe, is not only an economic status but a way of life. Among the economic motives which help determine the attitude of the Magyars may be listed also the peasants' widespread resistance to the power which stripped them of their old manner of living and their economic independence, however meager it was, and forced them into the collective farms where they receive wages in the form of crop shares which they consider debasing.

One could generalize that the Magyar peasant society is unstable but hostilely united — at least potentially — against their present government.

To sum up different opinions on Hungary, the Magyars are believed to 181 be conservative, individualistic, romantic, easily aroused to enthusiasm, gallant, possessing a high degree of sensibility, amenable to advice by kind words, politically oligarchic and aggressive.

The Magyar peasants are reported not to be exempt from what are believed 181 565 to be general peasant qualities: dourness, hardness and suspicion. However, they seem to differ from their likes in other countries insofar as they are reported to be prouder, less docile, more generous, less thrifty and less hard working than the Middle European peasants as a whole: their social life seems to be narrower for they are no "joiners" and care little, unlike their German counterparts, for associations, clubs or authority. Their social life

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Among a great number of other democratic provisions, the new government immediately ordered a complete agrarian reform. An additional 550,000 persons were given land averaging seven acres. In spite of this large-scale handout of property, ascribed propaganda-wise to the Communist Party and the "Red Army of Liberation," the first free elections in 1945 returned a vast majority of anti-Communist deputies to the new national assembly.

[474] The peasants' mistrust of the Communists turned definitely into opposition when the forced collectivization of the previously distributed land began after the Communists' take-over in late 1947. Since then, the fundamental opposition of the peasants to the Communist state has not changed in the slightest; there seem to be periods of détente between government and peasantry, but these may be simply the result of the Communist tactic of exerting pressure on the screw of collectivization with alternating force.

000 The history of Hungary in the twentieth century has left no name which has had a lasting impact on the mind of the common people.

boulevards. Other towns in the same region (e.g. Hajdúhadház) 361
acquired, under the influence of diagonally entering trade routes, a square or rather star-like shape, still with a set of avenues running in a radial direction even when not starting from the same central point. In some cases (e.g. Hajdúböszörmény) these two forms--the circle and star--have combined and the result is a somewhat confused street system.

The very existence of these huge farming centers, with 361
peasants generally better off economically than the small villagers, 474
makes them the object of peasant opposition. For this reason, the present regime has made serious efforts to transform them into the agrogorods, so favored by the post-Malenkov regime, by compelling the inhabitants to join the State-sponsored kolkhoz and to centralize the local cooperatives in one agricultural super-unit. Purely agricultural towns by 1951 officially declared to be kolkhoz towns are: Cegléd, Mezőtúr, Kiskúnfélegyháza, Kisujszállás and Túrkeve.

To determine the extent of urbanization in Hungary is not 361
a simple task. Those who read Hungarian population statistics may 162
have the impression that the territory east of the Danube is more urban than Transdanubia. This is because few statistics ever

Annex "A," Subparagraph 1f, Sociological Background

SOCIAL STRUCTURE

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Before World War II, the social structure of the rural regions of Hungary--largely based on wealth--varied topographically but, within the same region, it was well differentiated. At the bottom of the social scale were the laborers (földmunkások, cselédek, zsellérek) and the peasants who owned land in quantities too small to support themselves (törpebirtokosok, 'midget landholders'). These two categories constituted one-third of the entire population. Next were the small landholders (kisbirtokosok, kisgazdák) who made their living entirely from the small farms they owned. The medium landholders (középbirtokosok) and the big landowners (nagybirtokosok) employed agricultural laborers and peasants with very small holdings to labor their estates. Land acreage corresponding to these social strata varied widely from region to region according to the quality of the soil, but everywhere the cleavage between these groups was apparent in every phase of social life.

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With the arrival of Communism in the villages, the situation has changed rapidly. The 1945 land reform movement had set a maximum limit of 200 acres, below which no property was affected. This limit

saved, for avowed political reasons, part of the medium landholders' land from distribution. In 1948, when the collectivization of peasant properties became a chief governmental aim, the "class-struggle" in the villages was re-worded in such a manner that not only the remaining independently operating medium-holders were treated as kulaks and, as such, enemies of the people but, with them, every small-holder, beneficiary or not of the 1945 distribution, who opposed for political reasons the collectivization drive. The independent medium- and small-holders have been subjected to additional levies and discriminatory quotas of grain-delivery on the part of the regime, the result of which has been a decreased revenue from the larger independent farms and, in turn, a trend toward the elimination of economic differences between the peasants.

Since 1948, the collectivization drive has been pursued by the government with fluctuating vigor, different "courses" followed one another, and often contradictory figures blurred by propaganda or simple wishful thinking were published. In very rough lines, the present (1955) economico-social structure of the average Magyar village might be described as follows (see table at end of this Subparagraph)[1]

A minority (some 6 per cent) of the peasants are kulaks with holdings between 25-50 cadastral acres.

[1] [See cat. 116, p. 64 -- Analyst]

between 25-50 cadastral acres. These rich farmers--rich, of course, 565
according to Magyar standards only--are struggling against extreme economic pressure on the part of the government, but their often superior skill, their stubborn clinging to the land and their own way of life, and, to a certain extent, their business talent and their everyday work routine still keep them in the black and on the top of the rural social pyramid. The kulaks, the aristocracy among the peasants, are keenly class conscious. Bastions of the peasant way of life, they are instinctively contemptuous of the poorer peasants; they are proud of their resistance and survival "in spite of all," and sometimes even defiant toward local governmental authorities. Among their many surnames one of the most current before World War II was kékbeliek 'the ones in blue' for the dark blue broadcloth suits which they wore. Recently the more derisive zsírosparaszt 'fat peasant' seems to have gained ground, favored by official propaganda.

Next to the kulaks can be mentioned about one-third of the 565
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farmers who are independent operators with middle-sized (around 10 acres) holdings; the rest either own farms which are too small to support them and/or work on kolkhozes and sovkhozes which comprise about one- [474]
third of Hungary's arable land (sovkhozes 13 per cent, kolkhozes 20 per cent.

fish ponds have been built. In 1931, Hungary exported over three million pengő worth of fish to Western Europe. The most common fish caught are carp, sheatfish and barbel. The Balaton provides delicious sturgeon and pike perch. 226

The post war governments have made efforts to improve the productivity of Magyar soil through mechanization, increase in fertilizer production, introduction of modern methods in handling manure, seed selection, rejuvenation of the breeding stock, increase of pasture areas, irrigation, flood-control, reforestation, and use of the latest methods of agro-biology and agro-chemistry. These aims were, however, secondary to the tremendous investments in industry, especially heavy industry. The drouth of the early fifties and the resistance of the peasants fighting collectivization added to the insufficiency of the above efforts and the agricultural situation became stagnant, then declined. The "new course" policy of Premier Nagy brought a fresh approach in 1953. Nagy invested 24 per cent of the total investments on the State's budget into agriculture in 1954, brought forced collectivization to a halt, even permitted the peasants to leave the kolkhoses, and favored consumer goods. He also had more liberal policies in the villages; e.g. he permitted the reorganization of farmers' clubs (gazdakör). 242 656 [474]

or they may belong to a kolkhos. Very infrequently they work for richer peasants. The kolkhoses cover (in 1955) an estimated 18 per cent of the total arable land and approximately 200,000 families are connected with them. 471 241 [474]

Those who work on the kolkhoses are looked down upon by the other peasants, for they do not work on their own, according to time-honored methods, but go to work for a share or a salary and thus have little or no opportunity for individual achievement. [558]

There are numerous beliefs and superstitions connected with agriculture and livestock breeding. To enumerate them would take dozens of pages. Work on the farm and the field fills the peasants' life completely; most of his professional know-how comes through tradition and experience, both of which are apt to develop set habits and customs. There are well-defined ways of doing certain agricultural work, for example that of binding wheat into sheaves: this is the way everyone does it and this is how their ancestors did it. It is rather difficult to teach new farming methods to the peasants, although the present regime appears to be making headway. The most important customs are the ones associated with the days of the year: There are auspicious days (mostly saints' days) when one should plant or 241

3:Kemeny G-5 (1945-48)1952 EC1 Hungary EC1

CHAPTER VI

THE CHANGE IN ECONOMIC AND FINANCIAL STRUCTURE

INDUSTRY AND AGRICULTURE

471 WITH the change of the political climate in Eastern Europe, the policy in regard to the scope of nationalization underwent a definite change. In March 1948, shortly after the coup d'état in Czechoslovakia and the ensuing nationalization measures in that country, public ownership of all industrial enterprises in Hungary with more than 100 employees was announced. No preliminary discussions on a measure of such consequence had taken place. It was plotted by the Communists and presented to the public in a way that deprived the other parties—already politically undermined—of the possibility of offering any opposition. The law enacted in May 1948 on the nationalization of industry did not protect even small-scale industry against further encroachment. It vested the competent Ministry with arbitrary power to include any plant irrespective of size. Though the principle was established that compensation should be paid to the former owners, it was never intended to carry this principle into practice.

Thus when the first Plan year drew to its end, broadly 80 (and later 90) per cent of manufacturing industry in terms of man-power was nationalized. In the wholesale trade the change-over was completed within a short period. By 1949 nationalization had also made substantial progress in the retail trade.

And there was the sinister chapter of land collectivization. 661 The campaign was opened after the rupture between the 565 Cominform and Yugoslavia. In fighting 'rural capitalism' assi- 423 duous efforts were made to split the peasants into two camps, the *kulaks* or exploiters on the one side, and the 'working peasants' on the other. Owners of farms larger than those workable by one family were denounced as capitalists. In the course of the campaign this line of discrimination faded. Eventually it depended on the arbitrary decision of the local party committees whether a farmer ranked as a *kulak* or as a working peasant. The intention evidently was to outlaw the *kulaks* and to coerce 241 or entice the working peasants into the *kolkhoz* (the Russian type 423 of collectivized farming). Co-operatives merging the small hold- 474 ings according to that system into an economic unit enjoyed

3:Kemeny G-5 (1945-48)1951 EC1 Hungary EC1

special credit facilities and priorities in using tractor stations, and were favoured in many other ways. In spite of these benefits and a relentless propaganda coupled with elaborate methods of pressure, land collectivization remained in an embryonic stage. By the end of 1949 it was claimed that about 1,500 producers' co-operatives, cultivating 370,000 yokes of land, had been established. This would amount to 2·6 per cent of the total agricultural area. Even these moderate figures may be overstatements, as possibly not all the co-operatives concerned are of the most 'advanced' type, which merges the holdings of the individual members. Moreover, this kind of co-operative was mostly established on land recently acquired by the Government under the right of pre-emption, or through confiscating *kulak* holdings, and redistributed on condition that the new owners joined the advanced form of co-operative.

So far the changes in the organization of agriculture as brought about by the land reform were slight. Yet the rural districts had been stirred up and their atmosphere poisoned. Some detrimental influence on productive activity may eventually result, but no signs of it have been discernible up to now. The reports on the achievement in agriculture neither substantiate accusations of *kulak* sabotage nor do they indicate any relaxation of assiduity in cultivation because of anxiety about the ownership of land. The terror applied in collecting the grain and other produce, which the peasants were bound to deliver in order to ensure public supply, may partly explain their zeal in growing adequate quantities.

ADOPTION OF THE SOVIET PATTERN IN BANKING

In April 1948, with any serious political opposition already excluded, it was proposed to recast the Hungarian credit organization. By that time the nationalization of the leading banks had been completed. As already stated that measure, extending as it did to the subsidiaries of the institutes concerned, subjected over 80 per cent of the credit apparatus to public control. Nationalization, as it was decided upon in 1947, was intended to avoid the disruption of existing units, and to enable them to restore former international relations. A reorganization of banking undeniably appeared necessary. It was already overdue during the inter-war period, when the solution of the problem was adjourned because of the rivalries of competing groups and the lack of determination of the financial authorities. There is little doubt that a reasonable organization could have been reconciled with the preservation of ties with Western

3:Kemeny G-5 (1945-48)1953 EC1 Hungary EC1

471 worked, the scanty reports leaking out after 1948 indicate that its functioning was far from satisfactory. Exigencies of economic life proved to be stronger than strict rules, and the rules were not adhered to in relations between suppliers of goods and their customers.

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Special Investment Control

Imperfect synchronization of the delivery of capital goods with the rhythm of plant expansion was a difficulty hard to overcome. It was experienced from the beginning, and could not be eliminated in the later stages owing to the rapid progress of expansion. A report published in the official Government paper by the end of 1949 reveals the handicaps of production persisting throughout the Three-year Plan. For example a special committee had to investigate conditions in a heavy industry plant of outstanding importance, where the main causes of unsatisfactory results were stated to be the lack of tools and irregular raw-material supplies for the machine-shop.

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The Investment Bank was in charge of the permanent control of investment activities, including the synchronization of operations. The allocation of funds for investment to individual concerns was determined by the Planning Department in co-operation with the Industrial Directorate concerned and the Ministry of Finance. The amounts allocated were then transferred to the account of the Investment Bank. The Bank was to supervise the execution of the work and to time disbursements in accordance with its progress. It had further to register deliveries connected with Plan investments. The causes of any delay exceeding a month had to be investigated, and a report of the inquiry had to be sent to the Planning Department and the Ministry concerned. It was the duty of the latter to take the necessary steps to prevent further delay and to notify the Planning Department of the action taken.

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Defects in carrying out the investment portion of the Plan were summed up in a final report on the Three-year Plan, published by the President of the Planning Department, as follows: 'The investment plans did not reckon with the capacities of production and foreign trade. The result was that investment credit far exceeding practical possibilities (in particular the supply of equipment and the progress in construction work) was sometimes granted. Thus large amounts remitted to the Investment Bank remained unutilized, while there was a lack of funds for other investments.'

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The control of investment in agriculture and small-scale industry was handed over to the National Credit Institute of

3:Kemeny G-5 (1945-48)1952 EC1 Hungary EC1

Co-operative Societies. As the centre of the rural credit co-operatives, it disposed of a network of branches over the countryside. These branch offices were insufficiently staffed with experts even before their political reorganization, which meant the expulsion of the wealthy peasants. Little is known of the extent to which the newly-established Rural Credit Councils (i.e. the Boards of the local co-operatives) were able to assist the authorities in keeping investment in agriculture in line with the Plan. The Councils were militant political bodies rather than committees of experts.

A RIGID SYSTEM

The conception of the planners was to make the economy effective by imposing a multiple system of controls on it. The National Planning Department, assisted by the different Government Departments, was the principal agency of the controls. Yet with all its wide powers, the efficacy of the Planning Department in supervision and direction was limited. Another centre of control was created by the reorganization of the National Bank. The establishment of the single-account system seemed to offer the planners a device for checking economic activities in all their successive stages.

Tightness of control was thought to be essential for the execution of the Plan. But according to the original conception control was confined to production. The Plan, as drawn up in 1947 on the basis of a system of mixed economy, envisaged a detailed regulation of production, but it was assumed that the flow of consumer goods would roughly correspond with the creation of purchasing power through increased production. This assumption failed to take account of the vicissitudes of price controls and wage policy. During its first phase the Plan did not extend its control to the activities intermediate between production and consumption, i.e. it did not apply to trade. Wholesale dealers (and even less, of course, the retail traders) were not bound to submit plans concerning their prospective turnover, though they had to report on man-power employed, or apply for approval of investment in so far as it exceeded the 200,000 forint mark. The existence of this stratum preserved a certain resilience within the economy. It proved, in a way, helpful in overcoming difficulties in the administration of the Plan, though the activities of the dealers may, in some instances, have been a nuisance to the planners. When the ceiling for the bank-note circulation prevented the allocation of credit required for carrying out production demanded by the Plan, the concerns affected some-

185 X 471 and business establishments employing more than ten people. It was stated that the measure was not intended to endanger the true small traders and artisans who were said to be valuable elements of society. However, deadly competition for the small shops was provided by the setting up of the state stores, which were given monopoly in the distribution of some goods, were free from many of the restrictions to which small shops were subject and received favored treatment from nationalized industry. At the same time, the policy followed in allocating government contracts, which now comprised practically all contracts of any importance, and the restrictions on credits slowly led to the withering away of the small craftsmen. Furthermore, every encouragement was given to artisans' cooperatives which were, in essence, a return to the workshops of the early period of capitalism. These artisans' cooperatives with their methods of primitive mass production of utility goods were a complete denial of the essence of craftsmanship. The large-scale nationalizations, together with measures directly restricting private practice, almost eliminated the independent professional class.

185 X 466 Parallel with these measures, the powers of the Minister of Building to control labor were greatly increased. The threat of dismissal for political reasons, institutionalized by decree in June 1948 and extended in February 1949, was increased by the tendency to look upon failure to improve output as a political crime and sabotage. Repeated adjustments of the piece-rate system, competitions and special drives led to constant raising of the standard output rates and required an ever greater effort on the part of the ordinary worker to try to keep abreast and maintain the level of his earnings.

185 X ● 474 241 Rumors of the impending collectivization of agriculture were at first most emphatically denied by all the Communist spokesmen. Yet, in July 1948, the Communist party announced its intention to press the collectivization of agriculture on a "voluntary" basis because the inefficient small units - a large proportion of which were created by the Communist-sponsored Land Reform of 1945 - impeded progress in agriculture. Soon afterwards, administrative measures, a change in the tax system, and the widespread persecution of the kulaks, encouraged the "voluntary" process by eliminating the richer peasants who were the main opponents of the reform because they had most to lose through it. At the same time every kind of assistance, financial and other, was given to the new collective farms established on the Soviet model. But in spite of all efforts collectivization made little headway and, at the end of 1949, the total acreage farmed by collectives was less than 4 percent of the acreage under crops.

such as state farms, machine stations, irrigation works and the like, are the property of the state and of public bodies as trustees for the whole people. All foreign and all wholesale trade is carried on by state enterprises, all other trade is under state supervision. 642✗ 471

Article 7.

1) The Hungarian People's Republic recognizes and guarantees the right of the working peasants to the land and regards it as its duty to assist the socialist development of agriculture by establishing state farms and machine stations and giving every support to productive co-operative societies based on voluntary association and joint work. 642✗ 423 474

2) The state recognizes and supports every genuine co-operative movement of the workers that is directed against exploitation.

Article 8.

1) The constitution recognizes and protects all property acquired by labour. 642✗ 421

2) Private property and private enterprise must not be such as to run counter to the public interest.

3) The constitution guarantees the right of inheritance.

Article 9.

1) In the Hungarian People's Republic labour is the base of the social order. 642✗ 461

2) Every able-bodied citizen has the right, and the duty to work to the best of his ability and is bound in honour to do so.

3) By their labour, by participation in work competitions, by tightening labour discipline and improving working methods, the workers serve the cause of socialist construction.

4) The Hungarian People's Republic strives to apply in practice the socialist principle: "From each according to his ability, to each according to his work."

SECTION THREE

The Highest Organs of State Authority.

Article 10.

1) The highest organ of state authority in the Hungarian People's Republic is Parliament. 642✗ 646